

Message Text

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11

ACTION EA-14

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1179

INFO DOD/ISA

CINCPAC

AMEMBASSY MANILA

C O N F I D E N T I A L JAKARTA 2875

FROM AMBASSADOR NEWSOM

FOR EA ATTN AMB INGERSOLL AND MR. SNEIDER

DOD/ISA ATTN MR. DOOLIN

MANILA FOR DEPSEC PARTY

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MASS, PFOR, ID

SUBJ: FUTURE OF MILITARY ASSISTANCE FOR INDONESIA

INTRODUCTION AND SUMMARY RECOMMENDATIONS: AGAINST BACK-
GROUND OF DECLINING PROSPECTS FOR THE FUTURE OF GRANT
MILITARY AID AND GOI DOUBTS ABOUT THE FUTURE OF US
POLICY TOWARDS INDONESIA, WE MUST FIND MEANS TO MAIN-
TAIN A MEANINGFUL MILITARY ASSISTANCE PACKAGE. I
RECOMMEND THAT IN ADDITION PRESENT LEVEL OF MAP AND EDA
USE, WE:

A) PROVIDE \$3-5 MILLION IN FMS IN FY 1974;
B) SEEK PRIORITY RELEASE FROM AIR FORCE INVENTORY
OVER NEXT THREE YEARS OF AT LEAST 3 C-130BS ON SALES
BASIS. END SUMMARY.

1. VISIT OF DEPUTY SECRETARY RUSH, SNEIDER AND DOOLIN

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SHORTLY AFTER MY ARRIVAL FOCUSED ATTENTION ON IMPORTANT

BILATERAL QUESTIONS - INCLUDING, PROMINENTLY, FUTURE OF MAP.

2. WE RECOGNIZE THAT WITH INDONESIA'S INCREASED OIL REVENUES, AND INCREASING CONGRESSIONAL RELUCTANCE TO VOTE FUNDS FOR GRANT MILITARY ASSISTANCE, WE MUST CONSIDER ALTERNATE MEANS OF MAINTAINING OUR PRESENT COOPERATION WITH INDONESIA -- A RELATIONSHIP WHICH HAS DEVELOPED AGAINST BACKGROUND OF GENERALLY ACKNOWLEDGED US "COMMITMENT" IN PRINCIPLE TO PROVIDE \$25 MILLION ANNUALLY IN MILITARY ASSISTANCE. FURTHER, A CONTINUATION OF A MEANINGFUL MILITARY ASSISTANCE PROGRAM IS PARTICULARLY CRITICAL AT THIS TIME TO OVERCOME GOI DOUBTS ABOUT THE FUTURE US POLICY TOWARDS INDONESIA -- DOUBTS WHICH ARE REINFORCED BY THE UNCERTAINTIES SURROUNDING US ECONOMIC ASSISTANCE. FINALLY A FORTHCOMING POSTURE ON MILITARY ASSISTANCE WOULD HELP SOFTEN THE BLOW IF WE DECIDE WE MUST INFORM INDONESIANS THEY MUST PAY THE PER DIEM OF THEIR ICCS CONTINGENT. WE RECOGNIZE PRESSURES AND UNCERTAINTIES RE MILITARY ASSISTANCE FUNDS INCLUDING FMS BUT WE BELIEVE EXTRA EFFORT NECESSARY IN VIEW OUR STAKE HERE AND INDONESIAN DOUBTS.

3. TO MAINTAIN AN ASSISTANCE PACKAGE WHICH SUBSTANTIVELY MEETS OUT "COMMITMENT" IN A PERIOD OF ALMOST CERTAINLY DECLINING GRANT MAP, I RECOMMEND, BESIDES CONTINUES , BESIDES CONTINUED MAXIMUM USE OF EDA, WITHIN THE MORE STRINGENT GUIDELINES NOW APPLICABLE:

A) INTRODUCTION OF \$3-5 MILLION FMS CREDIT DURING FY 74, NVO BE DRAWN FROM THE FALLOUT OF FUNDS WHICH ORIGINARILY OCCURS IN THIS PROGRAM, AND LARGER AMOUNTS IN FUTURE YEARS. WHILE WE HAVE NOT DISCUSSED THIS POSSIBILITY WITH INDONESIANS, WE KNOW OF AT LEAST THREE PRORCCTS WHICH MIGHT QUALIFY:

1) UPGRADE OF JET ENGINE OVERHAUL FACILITY IN MALANG ESTIMATED AT ABOUT \$5.5 MILLION;

2) PURCHASE OF A FLOATING DRYDOCK (ARD) AT
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\$.7 MILLION AND PURCHASE OF \$1 MILLION INDUSTRIAL EQUIPMENT AND MACHINERY TO UPGRADE SURABAY NAVAL SHIPYARD;
AND

3) PURCHASE OF CADILLAC-GAGE V-150 ARMORED CARS ESTIMATED AT \$7.9 MILLION.

B) AGREEMENT TO PROVIDE GOI ON CONCESSIONAL TERMS THREE C-130BS OVER A THREE-YEAR PERIOD STARTING SOMETIME IN 1974.

4. DURING HIS MEETINGS WITH INDONESIAN LEADERSHIP

MARCH 4 DEPSEC RUSH NOTED THAT:

A) IT MAY BE NECESSARY TO SHIFT FROM GRANT AID
TO MILITARY CREDITS;

B) WE INTEND TO MAKE FULL USE OF EDA, AND

C) WE ARE ACTIVELY LOOKING AROUND FOR C-130BS
FOR SALE TO INDONESIA. HENCE GOI HAS BEEN ALERTED TO
LIKELY EVOLUTION IN MILITARY ASSISTANCE PACKAGE. FMS
IS ESSENTIAL PART OF SUCH STRATEGY.
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